How IT Change Impacts the Dynamics Affecting Corporate Strategy Formulation

Edgardo Donovan
Touro University International
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Dr. Kathleen M. Hargiss
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" *A new competitive landscape developed in the 1990s. Filled with threats to existing patterns of successful competition as well opportunities to form competitive advantages through innovations that create new industries and markets, this landscape was characterized by substantial and often framebreaking change, a series of temporary, rather than sustainable competitive advantages for individual firms, the criticality of speed in making and implementing strategic decisions, shortened product life cycles, and new forms of competition among global competitors.*" **(Hitt)**

Predicting the effects of IT change on corporate strategy is possible if one were to subordinate the latter to the former. However, that is not advisable. The aggressive subordination of business strategy to IT performance much less the sole goal to position oneself as the provider of the "next killer app" is a way of doing business which was conventionally applicable during short speculative driven boom markets in the 80's and 90's and is not an advisable long-term course of action within a fluctuating capitalistic marketplace. Despite the IT technological advances that have come about during the last twenty years ushering in a new era of productivity for businesses worldwide, if a company's long-term strategic goal is to make money it is a good idea to prioritize business strategic thinking over IT strategy.

IT strategy is merely a component of overall business strategy. From a corporate perspective, information technology is useless unless it is properly leveraged to bring about a determined result that is conducive towards making profits in the marketplace. When the strategic thinking is not grounded in business strategy but is overly influenced by IT strategy, it is more likely that a company will be seen as a cutting edge innovator but that it will ultimately suffer financially. This phenomenon where there IT strategy dictates overall business strategy is sometimes described as "IT myopia". Similar phenomena also occur in other business departments thus spurring "marketing myopia", "product myopia", etc.

"The *VP of IT at the Goldman Industrial Group of Vermont thought his suppliers would jump at the chance to collaborate electronically. Two years and millions of dollars later, he's still waiting for a partner.*" **(Worthen)**

Jack Lowry, the VP of IT at the Goldman Industrial Group of Vermont, aggressively pursued an IT strategy requiring millions of dollars aiming to create a sophisticated automated B2B exchange system involving his company's corporate network, computers at every junction of the production environment, the corporate web site, and a partner extranet. The overall goal of this endeavor was to minimize production cycles, thus saving the company and its customer's time, money, and to spur a new way of doing business where customers would seamlessly interact with Jack Lowry's creation. Inputting design parameters, tracking the status of projects, and accomplishing all other vendor client interactions that traditionally would be handled via phone, fax, in person, or directly on site were to be handled by the B2B system.

Unfortunately, although the 4 million dollar investment has had limited success in providing productivity savings around $700,000 during the first 18 months, it did not achieve success in modifying the way Goldman Industrial Group interacted with its clients during production cycles.

" *Lowry is still optimistic about the long-term potential of collaboration, and even without it he's already seen a return on Goldman's IT investment. He estimates saving $700,000 because of reduced cycle times and increased sales through the e-commerce site in the first 18 months alone.*" **(Worthen)**

Jack Lowry's massive re-engineering project is definitely an example where IT strategic thinking seems to have trumped conservative business strategy. Although it may be looked at a good idea of what not to do, it would be unfair to label it as a failure just because customers are not using seventy percent of the functionality the system was designed for. Jack Lowry built what he promised relatively on schedule. It is reasonable to assume that in three to four years the four million dollar investment in this project will have been paid back by the production cycle efficiencies that it has been responsible for.

In retrospect, a business strategic approach that would have incorporated limited portions of Lowry's IT strategy would have been wiser. If Goldman Industrial Group commissioned in depth surveys, concept usability testing, and focus groups among its customers to see if they would really be that enthusiastic about the idea once they properly understood privacy concerns as well as all technical/operational commitments necessary to interact with such as system, they may have had a better understanding of the demand for such a service. In turn, they could have implemented the production cycle improvements and left the B2B self service system to be completed progressively over a longer period of time while adopting a wait-and-see approach.

Although Goldman Industrial Group took a risk in implementing Lowry's project, when one considers the market conditions during the times these decisions were made it, is reasonable to assume that such policy derived from a business-strategy-first mentality.

At the time the dotcom revolution (1995-2000) was in full swing. During those years many entrepreneurs, investors, managers, and consumers thought that the traditional profit oriented rules in the business world had changed given that very unprofitable companies were being rewarded with stratospheric evaluations in Wall Street for merely being perceived as technology innovators. Many companies leveraged IPOs, mergers, and spin-offs under the umbrella of high stock evaluations into overnight empires.

Although Goldman Industrial Group was a private company it is reasonable to assume that it if the dotcom era had gone on a few years longer, regardless of whether customers were automatically using the Lowry system or not, that they would have been in a position to financially profit from their newly acquired "innovator status". Goldman Industrial Group probably chose an expensive rapid full deployment approach as opposed to a cheaper long-term phased approach under the understanding that in order to be perceived as an innovator and thus benefit from the related potential financial rewards it had to be perceived as a fast first-to-market mover.

"Some *B2B exchange companies are getting the message and have repositioned themselves as enterprise software and services companies."* **(Sawhney)**

After the IT investment and stock market crashes brought about by an excessive belief in the operational business mentality of the dotcom years, where precedence was given to IT strategy over business strategy because it was financially imperative to do so, more companies are finding the proper balance in reconciling IT strategic goals within overall profit oriented business strategy.

"*Lowry doesn't regret the decision to actively invest in collaborative technologies ahead of the curve. "It's not that you're a big player or a little player," he says. "It's that you're a player or you're not.*" **(Worthen)**

I am not sure whether Lowry really believes that, after everything that happened, a business enterprise being perceived as an innovator or as a "player" and losing money is better than making money following a more conservative Mantra. Lowry has definitely gained recognition for delivering an innovative system. It is likely that is in his personal financial interest to reinforce his image as an innovator or a "player" given that that would contribute to his steady employment at Goldman Industrial Group or to other lucrative opportunities elsewhere.

"*Amid the gloom and doom that permeates the B2B technology world, I see rays of light from a new generation of companies that has learned a basic lesson: The future of B2B e-commerce lies not in exchanges but in software and solutions that bring real efficiencies to specific business processes. The business of trading exchanges populated by anonymous buyers and sellers is best left to financial exchanges and commodities traders because only pure commodities can be bought and sold in marketplaces. As the founder of Dean Witter used to say, "We build success one investor at a time." Similarly, B2B companies will build their business one customer at a time, instead of building marketplaces with no customers.* " **(Sawhney)**

The aggressive subordination of business strategy to IT performance much less the sole goal to position oneself as the provider of the “next killer app” is a way of doing business which was conventionally applicable during short speculative driven boom markets in the 80’s and 90’s and is not an advisable long-term course of action within a fluctuating capitalistic marketplace. Despite the IT technological advances that have come about during the last twenty years ushering in a new era of productivity for businesses worldwide, if a company’s long-term strategic goal is to make money it is a good idea to prioritize business strategic thinking over IT strategy.

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